

## INFORMATION REPORT

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SUBJECT Method of Calculating  
Export Prices

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SUPPLEMENT TO  
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which was issued by the German Economic Commission, Central Administration of Interzonal and Foreign Trade, as a reminder of how export prices are to be calculated:

2. "There is cause for again expressly reminding all concerned of the following in regard to coefficients used for determining export prices:
  - a. Coefficients represent the minimum rate applicable.
  - b. Calculations are to be based exclusively on the 1944 stop prices, and not on later higher prices, without regard to the accounting to be rendered later on to the Foreign Trade Clearing Agency (Aussenhandels-Abrechnungs-Kontor).
  - c. Coefficients, as well as prices in marks, must not be revealed to foreign purchasers.

"Recent happenings indicate that firms lacking previous export experience, when submitting their offers, often overlook the fact that purchasers in international trade endeavor to obtain the lowest possible price. It is, therefore, an advantage if the first price quotation is somewhat higher than the figure obtained after multiplying the 1944 stop price by the coefficient. The exporting firm thus has a certain keeway to adjust the final purchase price without making it necessary to go below the minimum coefficient. The advantage resulting from such a procedure may be illustrated by the following example which was furnished quite unintentionally by a certain firm:

The approved price for a certain machine, offered to the Netherlands, was one hundred per cent. above the 1944 stop price. The minimum coefficient was 0.52; it was, however, applied to the subsequent increased price, which means that the price quoted amounted to double the normal minimum dollar price. This offer was of course rejected; however, the Netherlands firm offered a limit which was still 50% above

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the coefficient of 0.52.

"It is recommended that exporters and firms interested in the export business be informed confidentially of the contents of this circular. Special attention should be directed to socialized concerns, many of whom lack previous experience in export matters."

3. The circular is signed by authority of Ernst Frankfurter, of the section for Price and Market Analysis.

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DDA MEMO, 4 Apr 77

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